



CENTERS FOR INDEPENDENT LIVING

COMPLIANCE REVIEW REPORT

Everybody Counts Center for Independent Living (H132A930542)
Indiana FACES (H132A980813)

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REHABILITATION SERVICES ADMINISTRATION

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I. PURPOSE OF THE ON-SITE MONITORING REVIEW

Sections 706(c) and 722 of the *Rehabilitation Act of 1973, as amended* (the act) mandate that the Rehabilitation Services Administration (RSA) conduct on-site reviews of centers for independent living (CILs) funded under Title VII, Part C, Section 722. The objectives of on-site reviews are to:

- assess compliance with the requirements of Section 725(b) and (c)(3) of the act and 34 CFR 366.60-366.63;
- study program operations, organizational structure and administration of the CIL under Section 725(c)(1), (2), (5) and (6) of the act and 34 CFR 366.2 and 366.50;
- review documentation sufficient to verify the accuracy of the information submitted in the most recent 704 Annual Performance Report;
- verify that the CIL is managed in accordance with federal requirements in the Education Department General Administrative Regulations (EDGAR);
- assess CIL conformance with its work plan, developed in accordance with Section 725(c)(4) of the act and 34 CFR 366.50(d)(2), conditions of the CIL's approved application, and consistency with the State Plan for Independent Living (SPIL);
- identify areas of suggested or necessary improvements in the CIL's programmatic and fiscal operation and provide technical assistance resources available on the local, state, regional and national level;
- identify areas of exemplary work, projects and coordination efforts and make this information available to the larger CIL community; and
- provide an opportunity to share information with experienced nonfederal individuals involved in the operations of CILs and make available technical assistance to enhance CIL operations or to minimize or to eliminate problem areas.

II. METHODOLOGY

The on-site monitoring review was conducted on May 23 - 27, 2011. It was conducted as a follow-up to RSA's on-site review in 2007 (from which a report was never issued) to ascertain the current facts related to the fiscal, administrative, and programmatic areas reviewed during that on-site visit. The program review covered the independent living (IL) operations and activities of Everybody Counts Center for Independent Living (ECCIL or Everybody Counts) and Indiana F.A.C.E.S. (Freedom, Access, Community, Empowerment and Support) (Indiana FACES). The financial review examined the centers' participation in Title VII, Part C, of the act. RSA used the On-Site Review Guide (ORG) to conduct the on-site review. During the review, interviews were conducted with the centers' management, staff, consumers, and members of the board of directors. Also, at ECCIL's request, the review team met with a large

group of stakeholders and community leaders, including local transit system officials, to discuss the centers' services, system advocacy and capacity-building activities. In addition to the interviews and meetings, program and financial documents were reviewed in accordance with the protocol required by RSA's ORG, including written policies and procedures, a sample of consumer service records (CSRs), and other documents that are used to verify compliance with standards and indicators. CSRs were selected for review on a random basis. The review team conducted an exit conference at the conclusion of the review to provide feedback on initial impressions from the review.

The RSA review team included the following individuals:

- Sean Barrett, RSA program specialist;
- William Bethel, RSA fiscal specialist; and
- Dean Nielson, non-federal reviewer.

III. MISSION AND DESCRIPTION

According to the centers' web site, ECCIL and Indiana FACES' mission is to "empower people with disabilities through information and assistance, to work in collaboration with others in order to ensure the provision of adequate and appropriate opportunities for inclusion into society, to develop programs and services identified by people with disabilities as being necessary and appropriate, and to increase community options for independent living through outreach, awareness activities, education and advocacy."

Everybody Counts, Inc., was awarded its ECCIL grant in 1993 to serve Lake and Porter counties in Northwestern Indiana. The Indiana FACES grant was awarded to Everybody Counts, Inc., in 1998. According to its grant application, Indiana FACES (originally named the Ruben Center for Independent Living) was to be a "northwest satellite location for ECCIL," in order to have a community-based location in East Chicago to expand services to the area population, especially the large Hispanic population and to the deaf and hard-of-hearing individuals. Indiana FACES' original application also proposed to "develop and offer to other CILs and the designated state unit a training curriculum ... to provide adequate, appropriate IL services to consumers who are members of racial/ethnic minorities" in the state.

ECCIL and Indiana FACES currently share the same governing board, staff, policies and procedures as well as office space in Merrillville, Indiana.

IV. ORGANIZATIONAL STRENGTHS

Transportation Systems Advocacy

Everybody Counts continues its systemic advocacy work with local transportation agencies to increase the availability of accessible public transportation for individuals with disabilities in northwest Indiana, stemming from the 2007 legal settlement between ECCIL and a number of

entities such as the Northwest Indiana Regional Planning Commission (NIPRC) and the Indiana Department of Transportation. Everybody Counts has developed a team of individuals across Lake County actively involved in advocating for improved transportation. The stakeholders interviewed during RSA's on-site review considered ECCIL and Indiana FACES to be effective advocates in the community.

Technology

ECCIL has established a computer lab in which donated computer equipment is refurbished and provided to consumers with significant disabilities. The computer lab offers internet and computer skills training to consumers. In addition, ECCIL maintains an interactive, accessible IL resources web site providing information on ten disability issue areas, with the potential for five additional areas. ECCIL and Indiana FACES regularly monitor and analyze the web page usage data to determine which resource pages are most popular with consumers and other users. This practice allows the centers to prioritize the issue areas and provide IL information to consumers in a more focused manner than a general list of resources. The web site also features links to local, national and international disability-related news, community forums and streaming video content resources.

V. OBSERVATIONS AND RECOMMENDATIONS

During its review activities, RSA identified the observations below and made recommendations that ECCIL and Indiana FACES may consider to improve its overall operations and IL service delivery to consumers with significant disabilities.

1. CSR Narratives

Observation: The review team observed that ECCIL and Indiana FACES' CSR narratives only minimally reflected the extent to which the centers' IL specialists facilitated the development and achievement of consumers' IL goals. Though the CSRs typically contained intake forms, correspondence, documentation from other agencies and other information, it was difficult to determine from the CSR narratives what the center staff were doing to facilitate the consumers' goals and whether the goal had been completed.

Recommendation: RSA recommends that ECCIL and Indiana FACES review and revise their service procedures and staff training to encourage the centers' IL specialists to better document the contributions they make to the development and achievement of their consumers' independent living and community integration goals.

ECCIL/Indiana FACES' Response: We acknowledge that our Consumer Service Records have not been maintained as extensively as we would prefer. We will commit to a comprehensive re-training and allocation of time to enable staff to improve their recordkeeping, beginning in the new fiscal year. Any resources that would assist us in that endeavor, such as written guidelines and/or sample consumer files from other CILs with similar operating budgets would be greatly appreciated.

RSA Response: RSA will arrange to provide the requested technical assistance through ILRU as appropriate.

2. Independent Living Plans and Waivers

Observation: Of the 256 consumers reported in ECCIL and Indiana FACES' FY 2007, 2008, 2009 and 2010 704 Reports, 253 consumers (98.8 percent) chose to waive developing an ILP. Consistent with the IL philosophy of consumer choice, it is entirely up to the consumer whether to develop or waive an ILP. However, the fact that only approximately one percent of the centers' consumers chose to develop an ILP in four years raises questions as to whether consumers are receiving sufficient information about the potential advantages of an ILP.

Recommendation: RSA recommends that ECCIL and Indiana FACES provide staff training and develop consumer information that describes the potential advantages of developing an ILP, as outlined in 34 CFR 364.52.

ECCIL/Indiana FACES' Response: We are unfamiliar with any guidelines which dictate the "potential advantages" of having an IL plan or any standard for optimal or best practices in this regard, and would welcome referral to the same. In any case, we are uncertain as to why RSA would question whether consumers are receiving sufficient information about the potential advantages of an Independent Living Plan. As required by regulations and evidenced by the paperwork consumers are required to sign, our staff most certainly provide information about the right to develop or waive the development of an ILP. As reported in each 704 report submitted for nearly 20 years, the percentage of consumers who elected to develop an ILP has indeed consistently been low. While our staff certainly provide information to consumers about their right to develop an IL plan, we understand that developing and IL plan is an option, not a requirement. In fact, we would consider it inappropriate and contrary to the independent living philosophy to influence consumer decisions either way.

RSA Response: RSA will arrange to provide the requested technical assistance through ILRU as appropriate.

VI. FINDINGS AND CORRECTIVE ACTIONS

RSA identified the nine compliance findings below. Within 30 days of receipt of the final report, ECCIL and Indiana FACES must submit a corrective action plan (CAP) to RSA for review and approval. The CAP must include: (1) the specific corrective actions that the centers will undertake in response to each finding; (2) the methodology that the centers will utilize to evaluate if each corrective action has been effective; and (3) the timetable for the implementation and evaluation of the corrective action. RSA's technical assistance provider, the Independent Living Research Utilization program (ILRU), is available to assist the centers in the development and implementation of the CAP. RSA reserves the right to pursue enforcement action related to these findings as it deems appropriate as authorized in accordance with 34 CFR 74.14 and 34 CFR 366.39. Such enforcement actions may include special conditions such as draw down restrictions, funds withholding, or grant terminations.

Finding 1: Separate and distinct centers in different geographic locations

Legal Requirement:

34 CFR 366.2(b)(2)(3). (b) An applicant that meets the requirements of paragraph (a) of this section is eligible to apply as a new center under Secs. 366.24 or 366.36 if it . . . (2) proposes the expansion of an existing center through the establishment of a separate and complete center (except that the governing board of the existing center may serve as the governing board of the new center) at a different geographical location; and (3) meets the requirements of Sec. 366.24.

34 CFR 366.24(b)(1)(2). (b) Subject to the order of priorities established in Sec. 366.22, a grant for a new center may be awarded to the most qualified eligible agency that applies for funds under this section, if (1)(i) No center serves a geographic area of a State; or (ii) A geographic area of a State is underserved by centers serving other areas of the State; (2) The eligible agency proposes to serve the geographic area that is unserved or underserved in the State.

EDGAR 34 CFR 75.700. A grantee shall comply with applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, and applications.

34 CFR 364.4. The term "center for independent living" means a consumer controlled, community based, cross disability, nonresidential private nonprofit agency that – (1) is designed and operated within a local community by individuals with disabilities; and (2) Provides an array of IL services.

34 CFR 366.63(b). Compliance Indicator 2 – Provision Of Services On A Cross-Disability Basis: (1) Provides IL services to eligible individuals or groups of individuals without restrictions based on the particular type or types of significant disability of an individual or groups of individuals, unless the restricted IL service (other than the IL core services) is unique to the significant disability of the individuals to be served, e.g., Braille instruction for persons who are blind; (2) Provides IL core services to individuals with significant disabilities in a manner that is neither targeted nor limited to a particular type of significant disability; (3) Provides IL services to individuals with a diversity of significant disabilities and individuals who are members of populations that are unserved or underserved by programs under Title VII of the Act.

Facts and Analysis: Indiana FACES’ approved grant application funded by RSA in 1998 states that the Part C funds would be used to establish a “northwest satellite location for ECCIL” in East Chicago, Indiana, and that “IL services allowable under title VII of the Rehabilitation Act will be provided by the satellite location staff (at a minimum the four core services).” The application also includes provision for two staff positions, a “project coordinator” who “will work out of the location at least 20 hours per week, assisted by a part-time Secretary and reporting to the Program/Services Manager.” The center was to be established to serve the persons in the East Chicago community, with particular outreach efforts to consumers who are Hispanic and deaf.

Indiana FACES, however, is not a separate and complete center located in a different geographical area. It does not have a separate location, project coordinator, part-time secretary, or any regular hours of operation in East Chicago. Instead, it operates in ECCIL's office in Merrillville and has no staff dedicated to the provision of individual IL services in East Chicago. Only five of 356 consumers served by Indiana FACES since 1998 were from East Chicago, according to a consumer list provided by the center. RSA acknowledges that changing circumstances may have required Indiana FACES to temporarily relinquish its physical presence in East Chicago. However, Indiana FACES is bound by federal law, regulations and its original application to make the necessary arrangements for a physical presence in the original approved service area, consistent with the commitments made in the application.

With regard to Indiana FACES' Hispanic outreach commitment in the original application, RSA found that only nine of 111 consumers reported in the center's FY 2007 through FY 2010 704 Reports are Hispanic. It is not clear from the center's records whether any of these consumers were from the East Chicago area.

Furthermore, the centers are not separate and distinct. The two grants are treated as one grant, co-mingling the funds and dividing funds 50/50 without reference to the individual program services provided by each center or which expenditures actual benefit which individual grants. This also forms the basis of the fiscal findings discussed in more detail later in the report.

The only situation in which the staff treat ECCIL and Indiana FACES differently is when deaf and hard of hearing consumers come to Everybody Counts' offices. Those consumers are routinely served by Indiana FACES instead of ECCIL. From FY 2007 through 2010, 81 of the 82 consumers whose disability was reported as "hearing" were served by Indiana FACES (as reported on the centers' respective 704 Reports). Of the 111 consumers served by Indiana FACES between FY 2007 and 2010, only six were reported in the 704 Report as having a specific, non-hearing related disability. (Only two non-hearing disabilities were cited, physical and mental/emotional.) Conversely, ECCIL reported only one hearing-related disability during that time period. Though, together, Indiana FACES and ECCIL serve consumers on a cross-disability basis, separately, they do not meet the "cross-disability" component of the federal definition of a center or comply with Compliance Indicator 2 regarding provision of services on a cross-disability basis. Indiana FACES' original application's reference to targeted deaf and hard of hearing outreach does not exempt each of the centers from serving individuals on a cross-disability basis.

Finding:

- 1.1 Indiana FACES is not meeting the requirements of 34 CFR 366.2(b)(2)(3), 34 CFR 366.24(b)(1)(2), EDGAR 34 CFR 75.700, 34 CFR 364.4's definition of center, 34 CFR 366.63(b), and its approved application because it is not a separate and complete center at a different geographic location.

- 1.2 Indiana FACES and ECCIL are not meeting 34 CFR 366.63(b) and 34 CFR 364.4's definition of a center regarding the requirement to serve consumers on a cross-disability basis, because deaf or hard of hearing consumers are served only by Indiana FACES.

Corrective Action:

- 1.1 Indiana FACES must take corrective action to ensure that it is established as a separate and complete center at a different geographic location, East Chicago, consistent with its application and federal requirements, and that it devote the staff and other resources commensurate with its award to serve the geographic area and populations outlined in its approved application. In its corrective action plan, Indiana FACES must provide a plan, with timelines, that explains how it will establish this office within six months of the final report's issuance.

ECCIL/Indiana FACES Response: Indiana FACES has been meeting this requirement via personal visits, telephone contact and use of the internet. Since our total operating budget is now less than half of what it was more than a decade ago, it has been impossible to survive without having to modify our initial projections. We submit to you that with the advent of technology, and the added costs of maintaining two sets of lights, heat, phone and other such items, it is far more cost efficient to share space. Surely RSA would not find it practical or cost effective to allocate unavailable funds to pay for empty and unnecessary expenses, but should they insist that we do so, we are in the process of pursuing possible arrangements with agencies in East Chicago and Hammond.

Our initial application spoke not just to Deaf and Hispanic individuals, and not just to East Chicago, but to serving the needs of unserved and underserved populations across the state (especially members of racial/ethnic minorities) by a) developing an outreach and service blueprint for replication and b) building a state-wide grass roots movement to achieve much-needed systemic changes.

RSA Determination: RSA maintains Finding 1.1 based on the facts presented in the report. Consistent with the center's original application and the federal laws and regulations cited in this finding, Indiana FACES is required to establish "a separate and complete center . . . at a different geographical location" from ECCIL in Northwest Indiana. (Though the original application did include references to statewide minority outreach, this component was not the primary purpose of the application or the resulting grant, but only a potential secondary benefit.) Indiana FACES cannot meet the requirement of establishing a separate and complete center in Northwest Indiana solely through telephone contacts, internet outreach or personal visits, because federal regulations specify that there must be a physical presence" at a different geographical location," though the centers may share a single governing board. While it may be more cost efficient for two centers to share space, they are not permitted by the federal regulations to do so because each center was given a separate grant to serve consumers in a separate area as a stand-alone center.

Like all IL Part C grantees, some of whom have experienced similar recent reductions in funding, Indiana FACES must meet all its federal obligations with its available resources -

financial and otherwise. Indiana FACES' current IL Part C funding is well above the funding levels anticipated in the center's original application. Indiana FACES' FY 2011 Part C award amount is \$128,454, compared to the \$46,600 average budget projected for October 1998 - September 2003 in the center's original application. This budget projection included an average annual rental cost of \$3,900 "for space at other agency – utilities included in cost."

Federal regulations and the original application provide Indiana FACES with flexibility in meeting the requirements of Finding 1.1. For example, according to the application, Indiana FACES anticipated "using space provided at a minimum cost by local agencies who will house satellite staff in a small office." Though the application specifically refers to East Chicago, other locations in Northwest Indiana such as Hammond, mentioned in Indiana FACES' response, may be acceptable as well.

Indiana FACES' required corrective action plan for Finding 1.1 must provide the steps and timelines to ensure completion within six months of the final report's issuance, including the arrangements being considered and pursued for establishing Indiana FACES' separate physical presence in Northwest Indiana. Such arrangements should specify the city, office location, staffing, business hours, financial details, among others. The plan must also indicate any RSA technical assistance requested by the center. RSA will consider the corrective actions for Finding 1.1 to be completed upon its verification that Indiana FACES has established a separate and complete center for independent living with regular office hours, assigned staff and necessary resources in Northwest Indiana consistent with Title VII of the Act, applicable federal regulations and the original application. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate.

1.2 Indiana FACES and ECCIL must take corrective action to ensure that they each serve consumers on a cross-disability basis, including any deaf or hard of hearing consumers.

ECCIL/Indiana FACES Response: We strongly disagree with finding 1.2. Everybody Counts has always served individuals with a wide range of disabilities, and has never applied any restrictions on the particular type of significant disability of any individual or group of individuals unless such service was unique to the significant disability of the individuals to be served. Deaf and hard of hearing individuals have indeed routinely contacted and elected to receive services from Indiana FACES (which employs a recognized leader in the local deaf community as Deaf Services Coordinator). Although Everybody Counts' staff have been trained to be somewhat conversational in ASL, we maintain a list of local interpreters to call upon should any deaf or hard of hearing individual contact us directly to request services. However, we believe that it would be a conflict with the independent living philosophy, which respects their right to make their own decisions, to 'steer' them to Everybody Counts just to impact our statistical report.

Further, we are unaware of a requirement that any particular percentage of consumers served fall into any particular category. It would seem that such a requirement might cause many CILs to be found out of compliance for not having persons with every type of disability represented in their statistical report. It may also be noteworthy to remind RSA that a number of the individuals

served by Indiana FACES had multiple disabilities, which included not only deafness or hearing impairment, but also amputation, cerebral palsy, visual impairment, cognitive disabilities, etc.

RSA Determination: RSA maintains Finding 1.2 based on the facts presented in the report. ECCIL asserts that deaf or hard of hearing consumers chose to be served by Indiana FACES because of its staff's expertise. However, the fact remains that deaf or hard of hearing consumers are served almost exclusively by Indiana FACES and virtually not at all by ECCIL, largely because the two centers operate from the same location. While federal law or regulations do not establish any specific percentage requirements related to consumer disability classifications, they do require all centers to demonstrate compliance with the CIL program's cross-disability requirements. RSA anticipates that both centers will increase the diversity of their consumers with regard to primary disability once Indiana FACES establishes a physical presence in Northwest Indiana separate from ECCIL, in accordance with Finding 1.1. RSA will consider the corrective action for Finding 1.2 to be completed upon its verification that Indiana FACES and ECCIL are serving consumers with a broad range of primary disabilities consistent with 34 CFR 366.63(b) and 34 CFR 364.4.

Finding 2: Consumer Service Records

Legal Requirement:

34 CFR 364.53. For each applicant for IL services (other than information and referral) and for each individual receiving IL services (other than information and referral), the service provider shall maintain a consumer service record that includes: (e) the IL goals or objectives (1) established with the consumer, whether or not in the consumer's IL plan, and (2) achieved by the consumer.

34 CFR 366.63(c)(1)(i). The center shall provide evidence in its most recent annual performance report that it – Maintains a consumer service record that meets the requirements of 34 CFR 364.53 for each consumer;

34 CFR 366.63(c)(2)(i). The center shall provide evidence in its most recent annual performance report that the center maintains records on the IL goals that consumers receiving services at the center believe they have achieved.

Facts and Analysis: RSA reviewed a total of 39 CSRs identified by the centers as active, 17 from Indiana FACES and 22 from ECCIL. Indiana FACES' CSRs, while lacking details, were in compliance with the above requirements. With regard to ECCIL's 22 CSRs, however, the review team found that 12 did not identify the goals established with the consumer and 11 did not identify the goals achieved.

Finding: ECCIL is not meeting the requirements of:

- 2.1 34 CFR 364.53 because its CSRs do not consistently document consumers' goals established and goals achieved.

2.2 34 CFR 366.63(c)(1)(i) and (2)(i) because the CSRs reviewed do not support the accuracy of the data provided in the center's most recent annual performance report (FY 2010 704 Report) related to the requirements of 34 CFR 364.53, particularly with respect to consumer goals established and achieved.

Corrective Action: ECCIL must take corrective action to:

2.1 ensure that it adequately and consistently documents consumers' goals established and goals achieved.

ECCIL/Indiana FACES Response: We are aware that our CSRs are not maintained as extensively as we would prefer. We have explained that this is largely due to the extensive workload on a staff which has been substantially reduced. However, beginning this fiscal year, we will commit to a comprehensive re-training and will attempt to re-allocate time which would enable staff to improve their CSR tracking. Any resources to assist in that endeavor, including sample CSRs from other CILs with the same level of funding, would be greatly appreciated.

RSA Determination: RSA maintains Finding 2.1 based on the facts presented in the report. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 2.1. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the necessary policies and procedures, including related forms, and its verification that such policies and procedures are being implemented consistent with 34 CFR 364.53. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate.

2.2 ensure the accuracy of its 704 Report data related to the requirements of 34 CFR 364.53, particularly with respect to consumer goals established and achieved, including creating the capacity to document the submitted information.

ECCIL/Indiana FACES Response: We take great exception to RSA's position that we were unaware of the need to maintain accurate records. In fact, because our records are maintained manually, we were simply unaware of any regulation or best practice which specified the length of time during which we needed to keep the tracking forms we used to obtain that information. We will initiate the practice of doing so indefinitely, but would greatly appreciate reference to the relevant regulations or materials which detail best practices in this regard.

RSA Determination: RSA maintains Finding 2.2 based on the facts presented in the report. Finding 2.2 refers not to the length of time that records are to be maintained, but to the centers' inability to provide the documentation used to prepare the most recent 704 Report so that RSA could verify the accuracy of their current 704 Reports. (The applicable federal records retention regulation found at 34 CFR 74.53 requires that grant recipients retain records related to the grant for three years). RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 2.2. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance

requested. RSA will consider the corrective action to be completed upon its review and approval of the necessary policies and procedures, including related forms, and its verification that such policies and procedures are being implemented so that the centers maintain sufficient documentation to support the accuracy of their 704 Reports. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate.

Finding 3: Annual Performance Report

Legal Requirement:

34 CFR 366.50(h) and (i). To be eligible for assistance under this part, an eligible agency shall provide satisfactory assurances that (h) the applicant will conduct an annual self-evaluation, prepare an annual performance report, and maintain records adequate to measure performance with respect to the standards in subpart G; (i) The annual performance report and the records of the center's performance required by paragraph (h) of this section must each contain information regarding, at a minimum –

34 CFR 75.731. Records related to compliance. A grantee shall keep records to show its compliance with program requirements.

Facts and Analysis: Conversations with the executive director indicated, and follow-up at the exit conference confirmed, that ECCIL and Indiana FACES cannot identify which CSRs were used to tabulate the numbers submitted in the FY 2010 performance report (704 Report). ECCIL and Indiana FACES are therefore unable to provide the documentation necessary to validate any numbers submitted in the FY 2010 704 Report. Follow-up conversations with the executive director also indicated a lack of awareness on the part of the centers that the documentation of the information submitted in the 704 report was a federal requirement. RSA must be able to validate 704 Report information in order to assess centers' compliance with program requirements.

Finding: Indiana FACES and ECCIL are not meeting the requirements of 34 CFR 366.50(h) and (i) and 34 CFR 75.731 because they cannot provide documentation necessary to validate the numbers submitted on the 704 report with regard to consumer information and the centers' compliance with the CIL program's required assurances and evaluation standards.

Corrective Action: Indiana FACES and ECCIL must take corrective action to ensure that they create and implement procedures to document the information from CSRs and other sources used to prepare their 704 Reports so that RSA can validate the accuracy of the centers' 704 Report data and their compliance with the CIL program's assurances and evaluation standards, including the compliance indicators in 34 CFR 366.63.

ECCIL/Indiana FACES Response: The Executive Director did not say that she was unaware that documentation of the information submitted in the 704 report was a federal requirement. Rather, she advised the RSA team that records were manually reviewed in order to develop the 704 Report and demonstrated the process by which we developed statistical data. Further, we

are unaware of any regulations or best practice directives which specify the need to maintain information about which CSRs were reported for each year for any particular period of time beyond that which is required to compile the 704 report. It is that to which the Executive Director spoke. However, having now been so advised, we will maintain that information indefinitely but request referral to the relevant regulations or materials which detail best practices.

RSA Determination: RSA maintains Finding 3 based on the facts presented in the report. Finding 3 refers not to the length of time that records are to be maintained, but to the centers' inability to identify which CSRs were used to prepare the most recent 704 Report so that RSA could verify the accuracy of their current 704 Reports. As noted above, centers are required to keep these and other records related to the grant for three years and to be able to identify the records used to demonstrate grantee compliance with federal requirements. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 3. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the necessary policies and procedures, including related forms, and its verification that such policies and procedures are being implemented so that the centers maintain sufficient documentation to verify the accuracy of their 704 Reports, particularly with regard to the CIL program's assurances and evaluation standards. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate.

Finding 4: Three-Year Program and Financial Planning Objectives

Legal Requirement:

34 CFR 366.50(d)(1). The applicant will establish clear priorities through annual and three-year program and financial planning objectives for the center.

Facts and Analysis: ECCIL and Indiana FACES include annual planning objectives in the 704 report. However, they have not established three-year program and financial planning objectives.

Finding: Indiana FACES and ECCIL are not meeting the requirements of 34 CFR 366.50(d)(1) because they have not established clear priorities through three-year program and financial planning objectives for the centers.

Corrective Action: Indiana FACES and ECCIL must take corrective action to establish clear priorities through three-year program and financial planning objectives for the centers. The three-year plan must address the centers' goals and mission and also incorporate the centers' corrective action plan in response to this report. The three-year plan must form the basis for the centers' work plan, in accordance with 34 CFR 366.50(d)(2). Three-year plans and the corresponding work plans must reflect each center's distinct mission and priorities in accordance with their original applications. Finally, as the principal governing body of the center, the board

of directors must be actively involved in the development of the planning objectives and work plans.

ECCIL/Indiana FACES Response: The wording of this finding is quite misleading in that one might construe it to mean that neither of our centers have a mission or any goals. In fact, both have a one year and a two year plan, complete with center missions, goals and projected timelines and impact. In order to comply and incorporate the final corrective action plan into a full three year plan, within the six months after the date of the final corrective action plan, Everybody Counts' board of directors shall participate in a joint meeting with staff to develop a three-year plan. In the interim, we would appreciate receipt of any such plans which RSA has found to be appropriate (particularly from a CIL in Indiana which has been reviewed in recent years), as well as referral to sources for technical assistance. The full three-year plan will be utilized to form the basis of the work plan to be evidenced in the 2012-2013 704 Report.

RSA Determination: RSA maintains Finding 4 based on the facts presented in the report, though it has revised the final report to clarify that Finding 4 relates to the absence of three-year program and financial planning objectives, not to a lack of a goal or mission. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 4. The corrective action plan must include steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of Indiana FACES and ECCIL's three-year programmatic and financial plan. RSA will arrange to provide technical assistance in the development and implementation of the proposed correction action plan through ILRU as appropriate.

Finding 5: Financial Management Systems

Legal Requirement:

34 CFR 364.34: In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 366.50(g): To be eligible for assistance under this part, an eligible agency shall provide satisfactory assurances that the applicant will practice sound fiscal management.

EDGAR 34 CFR 75.702. A grantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting of Federal funds.

EDGAR 74.21(b). Recipients' financial management systems shall provide for the following: (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest. (3) Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately

safeguard all assets and assure they are used solely for authorized purposes. (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data. (5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents shall be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR Part 205--Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs. (6) Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award. (7) Accounting records including cost accounting records that are supported by source documentation.

EDGAR 74.22(b)(1). Recipients are paid in advance, provided they maintain or demonstrate the willingness to maintain—(i) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient; and (ii) Financial management systems that meet the standards for fund control and accountability as established in §74.21. (2) Cash advances to a recipient organization are limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A, Section A.4.a and b. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it: (1) Is incurred specifically for the award. (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown. b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Facts and Analysis: ECCIL and Indiana FACES do not practice sound fiscal management in accordance with their required assurance under 34 CFR 366.50(g) and do not have a financial control and fund accounting system to ensure proper disbursement of and accounting of federal funds as required by 34 CFR 364.34 and 75.702. Fiscal records show that ECCIL and Indiana FACES' separate IL Part C grant funds are combined into a single pool and the centers spend the funds from that single pool. The centers treat all funding sources, which are primarily from two IL-Part C grants as well as program income, as a single source of funds. Expenditures are assigned to this pool of funds as needed. Expenses are split-funded and grant funds, program income and other sources of funding are not tracked consistent with the requirements of 34 CFR 74.21(b)(2).

ECCIL and Indiana FACES do not have effective control over and cannot show accountability for all funds, property and other assets so that the centers can assure RSA that their assets are

being used solely for authorized purposes in accordance with 34 CFR 74.21(b)(3). ECCIL and Indiana FACES do not have any individual or group of individuals exercising the responsibility of oversight over all funds, property and other assets. The bookkeeper enters information provided by the executive director without verifying the accuracy of the information, while the duties of the contracted Certified Public Accountant (CPA) are limited to the preparation of annual IRS 990s. The CPA's contract includes the following statement: "I will not audit or otherwise verify the data you submit."

The governing board exercises limited review, oversight and approval authority with regard to the centers' annual budgets or financial reports. The board minutes, for example, do not indicate the board formally approved the centers' FY 2008, 2009 or 2010 budgets. Budget totals for each of the two centers provided to the Board at the December 15, 2009, and March 30, 2011, meetings were identical to the centers' FY 2009 budgets, even though the IL Part C funding amounts for the centers was 5 percent less in FY 2010 (\$207,107) than in FY 2009 (\$218,361). The line item amounts in the FY 2010 budget were also identical to those in the FY 2009 budget. The minutes indicate that one board member asked for the final FY 2008 report during the October 16, 2009, meeting, but there is no record that it was ever provided.

The centers are not in compliance with the requirements of 34 CFR 74.21(b)(4) because they do not consistently follow their budgets and, instead, spend their funds according to whatever expenses were incurred without reference to the respective budgets. According to the October 16, 2009, March 19, 2010, June 30, 2010, and September 30, 2010, board meeting minutes, for example, Everybody Counts consistently presented financial reports to the governing board indicating over-expenditures in several line items; yet the board approved the minutes and the reports with little or no comment. Although the centers split expenditures between the two IL-Part C grants, on September 30, 2010, Indiana FACES showed that it had overspent its budget through September 15, 2010, in five line items: \$22,000 in Health/Life Insurance Benefits, \$19,116 in Equipment Purchase, \$1,064 in Utilities, \$5,996 in Phones and \$5,234 in Equipment Maintenance. This lack of comparison of budget and expenditures resulted in the September 30, 2010, board minutes reporting that Indiana FACES had overspent its FY 2009 grant by \$6,694. Despite this fact, the minutes and financial reports were approved by the board without comment. It appears the ECCIL grant funds were used to cover Indiana FACES' deficit in violation of OMB Circular A-122's prohibition against shifting any cost allocable to a particular award to other federal awards to overcome funding deficiencies.

Neither ECCIL nor Indiana FACES has financial policies or procedures that contain provisions to minimize the time elapsing between the transfer of funds and their expenditure by the CILs in accordance with 34 CFR 74.21(b)(5) and 74.22(b)(1). Grant funds are drawn down and applied to expenditures until the funds are depleted and then another drawdown is executed and used as a cash pool from which to pay expenditures as they occur, instead of requesting the funds for specific, immediate needs as required in EDGAR 74.22(b)(2).

Both ECCIL and Indiana FACES lack written procedures ensuring the reasonableness, allocability, and allowability of costs under the cost principles or terms of the award, in accordance with 34 CFR 74.21(b)(6) and OMB Circular A-122, Attachment A, Section A.4.a and b. As a result, funds are spent without proper determination of the allowability or

allocability of approved expenditures. For example, ECCIL and Indiana FACES have an undated Debit Card Utilization Policy, but the policy lacks any provisions to ensure reasonableness, allocability, and allowability of cost so that each center can charge only those costs to its own grant that benefit its own program. In addition, the centers purchased three vehicles with federal funds from both grants, but did not provide documentation indicating that these purchases were reasonable, allocable or allowable. Also, expenditures for staff travel lacked sufficient documentation or justification.

In another example, the centers provided \$7,500 in additional compensation to a full-time employee without support for the additional funds or determined by any current salary, wage, overtime or bonuses practices. The centers charged both grants equally without determining the degree to which this cost benefited the respective grants. Also, the additional compensation was improperly charged to the equipment purchase line item. This additional compensation expense and the improper charging of this expense to the equipment line item was approved by the board at the December 2009 meeting, and reiterated at the following board meeting on March 19, 2010.

With few exceptions, personnel and non-personnel costs are consistently allocated 50/50 between ECCIL and Indiana FACES without a documented basis for such distribution of costs. Funds are equally available to the two centers and are routinely shifted from one grant to cover the expenses of another without reference to the relative benefits received by each of the centers or the different services provided by the two centers.

Finding: ECCIL and Indiana FACES are not in compliance with:

- 5.1 34 CFR 364.34, 34 CFR 366.50(g), and EDGAR 75.702 because they do not use fiscal control and fund accounting procedures that insure proper disbursement of and accounting of federal funds.
- 5.2 EDGAR 74.21(b)(2) because their records do not identify the source and application of funds for federally-sponsored activities or effectively account for all funds.
- 5.3 EDGAR 74.21(b)(3) because they do not have any individual or group of individuals exercising the responsibility of oversight over all funds, property, and other assets.
- 5.4 EDGAR 74.21(b)(4) because they do not compare outlays with budget amounts for each award.
- 5.5 EDGAR 74.21(b)(5) and EDGAR 74.22(b) because they do not minimize the time elapsing between the transfer of funds to the recipient and their disbursement for program purposes, or ensure that drawdowns are based on actual expenditures within the respective grants instead of on an even split not necessarily tied to the benefiting grant.
- 5.6 EDGAR 74.21(b)(6) and OMB Circular A-122, Attachment A, Section A.4.a and b because they do not have procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the

terms and conditions of the award.

5.7 EDGAR 74.21(b)(7) because their accounting records are not supported by source documentation, particularly in regard to travel and capital expenditure costs.

Corrective Action: ECCIL and Indiana FACES must take corrective action to ensure that they:

5.1 develop fiscal control and fund accounting procedures that ensure proper disbursement of and accounting of federal funds. As part of its corrective action, the centers must arrange for a financial consultant to conduct a financial review of the centers and assist in the development and implementation of the required policies and procedures within six months of the final report's issuance.

ECCIL/Indiana FACES Response: Everybody Counts strenuously disagrees with the insinuation that there has been improper distribution of federal funds. An accounting firm completed an A -133 Audit of Everybody Counts for the period ending December 31, 2000 in which there were no instances of noncompliance reported. Although we believe that our system is more than adequate to ensure accountability, we will review it with the financial consultant. Any changes deemed necessary will be made and presented to the Board of Directors and RSA for approval, within six months of the receipt of the final corrective action plan. We would appreciate whatever technical assistance RSA can provide or identify.

RSA Determination: RSA maintains Finding 5.1 based on the facts presented in the report. RSA made its finding based on facts revealed during the May 2011 on-site review which showed inadequate financial policies and procedures, and cannot rely on auditor conclusions from over ten years ago. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 5.1 with the assistance of a financial consultant. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and indicate the specific RSA technical assistance requested. RSA will consider the corrective action for finding 5.1 to be completed upon its review and approval of ECCIL and Indiana FACES' revised fiscal control and fund accounting policies and procedures -- including related forms, reports and assigned responsibilities -- and its verification that the new policies and procedures are being implemented in a manner that complies with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.2 develop and be able to present records which accurately display separately, by award and funding source, information that pertains to authorizations, obligations, unobligated balances, assets, outlays, and income.

ECCIL/Indiana FACES Response: It is our contention that such records already exist. Everybody Counts currently utilizes Quick Books as an electronic means of identifying the source and application of funds. Utilizing Quick Books, our bookkeeper can tell you every check that has been written, to whom, for what amount and purpose, and to which class it was attributed. Everybody Counts also tracks utilizing a hand written documentation system for every check that has been written, to whom, for what purpose, charged to which class and

relevant information related to payments made to vendors including original invoice splits, if any, class and so on. However, records will be reviewed with the financial consultant and any needed changes will be made and presented to the Board and RSA within six months of the receipt of the final corrective action plan.

RSA Determination: RSA maintains Finding 5.2 based on the facts presented in the report. Though the centers currently use Quick Books as a data entry system, they lack the documentation, reports and internal processes to provide the checks, balances and audit trails required by EDGAR 74.21(b). RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 5.2 with the assistance of a financial consultant. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and indicate the specific RSA technical assistance requested. RSA will consider the corrective action for Finding 5.2 to be completed upon its review and approval of ECCIL and Indiana FACES' revised records pertaining to authorizations, obligations, unobligated balances, assets, outlays and income. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.3 develop and implement policies and procedures that will provide control over and accountability over all funds, property and assets to ensure that they are used solely for authorized purposes.

ECCIL/Indiana FACES Response: The executive director is responsible for oversight over all funds, property and other assets, under the supervision of the Board of Directors. We are unclear as to what is meant by verifying the accuracy of the information prepared by the administrative assistant / office manager for the director's approval. But, by the time the bookkeeper receives that information, it has already been reviewed and approved. Although it is not within her purview to oversee the work of the executive director, regular communication is maintained so that any discrepancies in billing can be quickly addressed. The Certified Public Account has indeed been retained solely for the purpose of preparing annual 990s and is therefore in no position to audit or otherwise verify the data he has been provided. That would be the responsibility of an independent auditor, such as the firm we retained until funding cuts and RSA policies no longer made that possible.

RSA Determination: RSA maintains Finding 5.3 based on the facts presented in the report. The governing board, not the executive director, is ultimately responsible for ensuring that all funds, property and assets are used solely for authorized purposes. There should be checks and balances in the system so that records can track grant expenditures and demonstrate that such expenditures were allowable and benefitted the grant to which they were charged. Fiscal information compiled and reported must be verified against the requisite source records and documentation. With regard to the allowability and allocability of auditing services, the cost principles at OMB Circular A-122 Attachment B, Item 4(b) provide that audit and financial review costs other than A-133 audits are allowable if included in an indirect cost rate or cost allocation plan proposal or approved by the awarding agency as a direct cost to the award. The corrective action plan must provide the steps and timelines to ensure completion within six

months of the final report's issuance and specify the RSA technical assistance requested. RSA will consider the corrective action to be completed upon:

- 1) RSA's review and approval of ECCIL and Indiana FACES' revised policies and procedures that have been approved by the board and which address all the areas of noncompliance mentioned in this finding; and
- 2) RSA's review of supporting documentation pertaining to authorizations, obligations, unobligated balances, assets, outlays and income demonstrating that ECCIL and Indiana FACES have implemented the revised policies and procedures in a manner that complies with federal requirements. Supporting documentation must also demonstrate that expenditures were allocated appropriately and for allowable program costs between the separate grants.

RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.4 develop and implement policies and procedures to effectively compare outlays with budget amounts for each award, including closer oversight by executive staff and board members to monitor and act upon issues of budget levels versus actual expenditures.

ECCIL/Indiana FACES Response: The accountant provides a minimum of quarterly reports (more often as needed) which provide detailed comparison of budget amounts with outlays to date for each award. These are jointly reviewed by the board president or treasurer, along with the executive director, on a regular basis. The board president and treasurer meet regularly with the executive director and contracted providers in order to review and maintain oversight of our fiscal situation and report to the full board of directors. The fact that our minutes do not contain information sufficiently detailed to RSA's satisfaction should not nullify the board and staff's testimony. We have always understood that, as long as the total amounts expended for personnel and non-personnel expenses do not exceed projected costs within each category, there was no problem with making adjustments made necessary by such things as increases insurance premiums, equipment break-down, etc. With that understanding, there would be no need for the board to take particular note of minor discrepancies. We do not recall ever applying any ECCIL funds to cover an Indiana FACES' deficit and it is likely that the referenced report did not take into consideration rollover funds from the previous year.

RSA Determination: RSA maintains Finding 5.4 based on the facts presented in the report. The board review process as described in the centers' response was not supported by written procedures, reports or board minutes provided during the onsite review. It is true that grantees are permitted to make budget adjustments in accordance with the conditions of 34 CFR 74.25. However, to ensure adequate internal control over fund expenditures, ECCIL and Indiana FACES' must implement policies and procedures that define when adjustments to budget categories are permitted, how much money can be transferred between budget categories, who has the authority to transfer budget amounts, when board approval is required for budget adjustments, etc. Please note, however, in section 74.25(f) that "[t]he Secretary may restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in

which the federal share of the project exceeds \$100,000 and the cumulative amount of the transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Secretary. The Secretary does not permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.” Given the centers’ lack of internal controls and fund accounting procedures and their practice of assigning costs on a 50/50 basis, the on-site review revealed that budgets do not adequately correspond to actual expenditures for each grant and that funds from one grant were used to cover the costs of the other, including budget deficits. The centers have not provided supporting documentation indicating that deficits were paid from an allowable source of funds.

Regarding the “rollover funds” cited in the CILs’ response, Part C funds cannot be carried over and thus would not be available to cover deficits in a subsequent year.

RSA acknowledges the centers’ willingness to take corrective actions to resolve the finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report’s issuance and specify any RSA technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required policies and procedures and its verification that such policies and procedures are being implemented in a manner that complies with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.5 develop written procedures to minimize the time elapsing between the transfer of funds to and their disbursement by the centers and follow correct drawdown procedures to ensure that funds drawn down are done so to match the expenditures within the respective grants and not drawn down to meet expenditures according to an even split not tied to the benefiting grant.

ECCIL/Indiana FACES Response: Changes will be implemented effective January, 2012. However, the language of this finding is misleading in that it implies that our expenditures were not tied to the benefiting grants. Funds were “pooled” only in that Everybody Counts has one bank account and all revenues regardless of source are placed in that one account. Grant funds and all other funds are tracked. Every expenditure utilizing federal funds can be traced in detail. On two separate occasions during fiscal year 2010, ECCIL/FACES funds were held up by the G5 system, causing the organization to have insufficient funds to operate. We were unable to make payroll and incurred substantial late fees. In order to avoid again having the situation where the government’s system caused us to be unable to pay for such necessities as utilities, phone, etc., we found that the shortest interval of time between the transfer of funds would be two weeks. Utilizing the feedback provided in this report, Everybody Counts staff has already begun the process of splitting expenses in percentages that more accurately reflect specific applicable use. Everybody Counts can and will do a better job at tracking the specific utilization of the program income. Changes will be implemented effective January, 2012. Everybody Counts will work with its bookkeeper to try to find a way to reduce the amount of time between draw downs and payments, and pursue application of EDGAR 74.22(b)(1).

RSA Determination: RSA maintains Finding 5.5 based on the facts presented in the report. While 34 CFR 74.22(i)(1) does not require separate depository accounts for funds provided to a

recipient, recipients must be able to account for the receipt, obligation and expenditure of funds for each grant received. Available records confirm that most expenses are split among ECCIL and Indiana FACES on a 50/50 basis and that funds are drawn down and expended from a single pool of funds, without the sufficient regard for the benefiting grant or specific, immediate center needs. The splitting of costs on a 50/50 basis is unsupportable because ECCIL and Indiana FACES do not have an approved Cost Allocation Plan or Indirect Cost Rate or written procedures for determining and verifying that the 50/50 split reflects actual expenditures. Furthermore, differences in sizes of staff and number of consumers served by each center make it highly implausible that actual costs are in fact incurred on an equal basis. RSA regrets any difficulties caused by the possible G5 Payments system delays. However, the centers lack the required written procedures specifically designed to minimize the time elapsing between the transfer of funds and their disbursement.

RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 5.5. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify any RSA technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required policies and procedures and its verification that such policies and procedures are being implemented in a manner that complies with federal requirements. These policies and procedures must ensure that drawdowns and expenditures are tied to the benefiting grant and specific, immediate center needs, and that delays between the transfer and disbursement of funds are minimized. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.6 develop and implement written procedures, to be utilized by the executive director and board members, which will determine the reasonableness, allowability and allocability of costs in accordance with applicable federal cost principles and terms and conditions of the grant.

ECCIL/Indiana FACES Response: The debit card policy was approved by the board. You may have been given an undated copy, but had anyone asked about this or raised it as a concern during the review or exit interview, this matter could have been clarified. Second, the debit card's use is limited; it can only be utilized by administrative staff for cost categories approved by the board of directors. It is true that at the time of purchase in those categories (such as paying for postage or supplies), administrative staff can do so without the executive director being present. But they are asked to obtain verbal permission in advance, must still bring the receipt in, complete a debit card utilization form and get the director's approval. If at that time, the executive director deemed the purchase to be out of line with reasonableness, allocability or allowability, she would require repayment by the staff person. Third, any purchase that falls outside of the listed categories must have the executive director's written approval prior to purchase. Fourth, staff travel is documented with receipts and travel reimbursement forms which include time, date and purpose of trip. Can we tighten our application of these policies and practices? Yes, and we will. But to say that no policies or procedures exist is a false and misleading. We will expand the existing procedures and implement changes which will increase the degree to which the board is involved in this process.

RSA Determination: RSA maintains Finding 5.6 based on the facts presented in the report. The debit card process described in the centers' response is not reflected in the policy provided during the on-site review. Furthermore, information available during the review was inadequate to document the reasonableness, allocability and allowability of the centers' travel-related expenditures. The debit card and travel policies are only examples of the larger issue, which is that there are inadequate policies overall to ensure the reasonableness, allocability and allowability of costs between grants. RSA acknowledges the centers' willingness to take corrective actions to resolve the finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify any RSA technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required written policies and procedures and its verification that such policies and procedures are being implemented in a manner that complies with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

5.7 develop and implement procedures to ensure that the centers' expenditures are supported by source documentation.

ECCIL/Indiana FACES Response: We believe that our expenditures are supported by three levels of source documentation. However, we will review our policies and procedures with the financial consultant and make recommended changes within six months of the receipt of the final corrective action plan.

RSA Determination: RSA maintains Finding 5.7 based on its review of the documents available to it and acknowledges the centers' willingness to take corrective actions to resolve the finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify any RSA technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required written policies and procedures and its verification that such policies and procedures are being implemented in a manner that complies with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

Finding 6: Program Income

Legal Requirement:

34 CFR 364.5. Program income means gross income received by a grantee under title VII of the Act that is directly generated by an activity supported under 34 CFR parts 365, 366, or 367.

(a) Sources of program income include, but are not limited to, payments received from workers' compensation funds or fees from services to defray part or all of the costs of services provided to particular consumers. (b) Program income, whenever earned, must be used for the provision of IL services or the administration of the State plan, as appropriate. (2) A service provider is authorized to treat program income as – (i) a deduction from total allowable costs charged to a

Federal grant, in accordance with 34 CFR 80.25(g)(1); or (ii) An addition to the grant funds to be used for additional allowable program expenditures, in accordance with 34 CFR 80.25(g)(2). (3) Program income may not be used to meet the non-Federal share requirement under 34 CFR 365.12(b).

EDGAR 74.21(b). Recipients' financial management systems shall provide for the following: (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

Facts and Analysis: ECCIL and Indiana FACES do not have records that adequately identify the source and application of program income related to projects financed with IL Part C funds in accordance with the requirements of 34 CFR 364.5 and 34 CFR 74.21(b). For instance, the centers use their IL Part C-funded facilities, equipment and staff to operate evening sign language classes for which they charge a fee. Revenues generated through this fee are then applied through unclear practices to fund full and part-time staff that are already paid through IL-Part C funds over and above their regular salaries, without allocating it to the particular grant (ECCIL or Indiana FACES) or other funding source that generated the program income. The centers do not have written policies or procedures to properly track this application of program funds. The allowability and allocability of this application of program income between the two grants cannot be determined.

Finding: ECCIL and Indiana FACES are not complying with 34 CFR 364.5 and 34 CFR 74.21(b) because they do not properly account for the grant source of program income and how program income is used when it is earned by activities financed with IL Part C funds.

Corrective Action: ECCIL and Indiana FACES must develop and implement policies and procedures, including the appropriate methods of documentation to properly track the source and application of program income and therefore ensure that program income is expended only on allowable and allocable costs. These policies and procedures must ensure that the centers allocate program income appropriately between the two grants in accordance with the identity of the grant funds used to generate the program income and that the program income funds are used by the grant that generated them.

ECCIL/Indiana FACES Response: RSA's observations regarding the operation of evening sign classes are incorrect. Our practice is quite clear. For those classes we charge a fee, out of which we provide additional payment to the part-time hourly employee who conducts them beyond the scope of her regular responsibilities and allocate the balance for deaf consumer training activities. If this is inappropriate we would welcome specific suggestions as to what methodology might be utilized. Everybody Counts can and will do a better job at tracking the specific utilization of the program income. Although we believe that our policies are sufficient to meet EDGAR guidelines, the policies of Everybody Counts are presently being reviewed. Further review and as needed development will take place with assistance from the financial consultant, within six months of the corrective action plan.

RSA Determination: RSA maintains Finding 6 based on the facts presented in the report. RSA duly notes the information about the sign language classes. The finding, however, is based on a lack of sufficient and verifiable policies and procedures, not regarding one specific practice. Additionally, the policies and procedures must be monitored to ensure compliance. ECCIL and Indiana FACES' response thus does not alter the finding that the centers lack adequate policies and procedures to properly track the source and application of program income. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 6. The corrective action plan must include steps and timelines to ensure completion within six months of the final report issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the necessary policies and procedures, including related forms, and its verification that such policies and procedures are being implemented consistent with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

Finding 7: Allocation of Personnel Services

Legal Requirement:

OMB Circular A-122, Attachment B, Item 8(m)(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.) (2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards: (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. (c) The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. (d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

Facts and Analysis: ECCIL and Indiana FACES do not require that all personnel complete Personnel Activity Reports. Except for one Indiana FACES staff person, the centers use time sheets instead of Personnel Activity Reports (PARs) to report personnel costs. But the personnel costs are arbitrarily charged 50 percent to ECCIL and 50 percent to Indiana FACES, without any

determination as to the actual benefit to specific grants. This 50/50 split of personnel costs (except for the one Indiana FACES staff person) is based on budget estimates rather than actual time spent on grant activities because both ECCIL and Indiana FACES budgets have equal amounts. The PAR policy and practices do not include the total activities of the respective staff. For example, in FY 2010, the personnel cost breakout was divided 50 percent for ECCIL and 50 percent for Indiana FACES, but no determination was made between the ARRA grant and regular IL-Part C grant activities for the respective centers.

Finding: ECCIL and Indiana FACES are not in compliance with OMB Circular A-122, Attachment B, Item 8(m)(1) because the distribution of salaries and wages to ECCIL and Indiana FACES staff is not supported by personnel activity reports that are based on the actual activity of each employee.

Corrective Action: ECCIL and Indiana FACES must develop and implement policies and practices that meet the requirements of OMB Circular A-122, Attachment B (7)(m), including:

- charging personnel costs to the benefiting grant that reflects actual employee activity on each grant, based on PARs;
- requiring that all personnel follow the new PAR practices and submit PARs according to those policies;
- not using budget levels to determine allocation of personnel costs; and
- ensuring that the breakout of personnel costs cover all separate federal grants and other funding sources in which the respective staff are involved during the reporting period of the PAR.

ECCIL/Indiana FACES Response: Had the review team asked for clarification, we would have been glad to explain that the document they assumed was an active Personnel Activity Report was in fact just an example we provided of the process we had been undergoing to ascertain the work actually being performed by each staff person over the course of a month's time. It is inaccurate to state that personnel costs are arbitrarily charged without determination as to the actual benefit to specific grants or that any split is based upon budget estimates rather than actual time on grant activities. The 50/50 split applied to each staff position other than Indiana Faces' Deaf Services Coordinator (and any counselor/advocates we have managed to retain) was a purposeful reflection of the work anticipated and performed by specific staff persons. We will meet this requirement. While we intend to complete the process already begun and timesheets may be modified to be more reflective of specific activities for administrative exempt employees, their time will likely continue to be split 50/50 between the two CILs since that is the anticipated division of time. Once timesheets have been updated, all staff will be required to complete them on a regular basis, in accordance with the policy. While certainly budget levels should and definitely do impact decisions about the amounts that can be allocated to personnel costs, we will improve the means by which we determine workloads and allocations.

RSA Determination: RSA maintains Finding 7 based on the facts presented in the report. RSA duly notes the information about ongoing efforts to ascertain the work actually being performed by each staff person over a month's time. However, it does not alter the finding that the distribution of salaries and wages to ECCIL and Indiana FACES staff is not supported by personnel activity reports that are based on the actual activity of each employee and that time spent on the separate grants is not adequately recorded. With regard to the center's reported efforts in this regard, it is important to point out that, according to OMB Circular A-122, Attachment B, Item 8(m)(2)(a), "budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards." The amount charged to the award for such personnel must be based upon the actual time spent working on that award. RSA acknowledges the centers' willingness to take corrective actions to resolve Finding 7. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the necessary policies and procedures, including related forms, and its verification that such policies and procedures are being implemented consistent with OMB Circular A-122, Attachment B, Item 8(m)(1). RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

Finding 8: Cost Allocation Plan/Indirect Cost Rate

Legal Requirement:

EDGAR 34 CFR 75.560 (a) The differences between direct and indirect costs and the principles for determining the general indirect cost rate that a grantee may use for grants under most programs are specified in the cost principles for . . . (3) Other nonprofit organizations, at 34 CFR 74.27; (b) A grantee must have a current indirect cost rate agreement to charge indirect costs to a grant. To obtain an indirect cost rate, a grantee must submit an indirect cost proposal to its cognizant agency and negotiate an indirect cost rate agreement.

EDGAR 34 CFR 74.27(a). For each kind of recipient, there is a set of cost principles for determining allowable costs. Allowability of costs are determined in accordance with the cost principles applicable to the entity incurring the costs, as specified in the following chart: Office of Management and Budget (OMB) Circular A-122, "Cost Principles for Non-Profit Organizations," establishes the principles for determining costs of grants, contracts and other agreements with the federal government.

Facts and Analysis: EDGAR 34 CFR 75.560(b), 34 CFR 74.27 and OMB Circular A-122 require centers for independent living to establish a cost allocation plan or indirect cost rate approved by the U.S. Department of Education to ensure that centers distribute administrative costs among their various funding sources in a manner that provides a clear understanding of agency financial operations. ECCIL and Indiana FACES do not have cost allocation plans or indirect cost rates approved by the Department of Education.

Finding: ECCIL and Indiana FACES are not in compliance with EDGAR 34 CFR 75.560(b),

34 CFR 74.27 and OMB Circular A-122 because they are allocating costs to their Part C grants without an approved cost allocation plan or indirect cost rate agreement.

Corrective Action: ECCIL and Indiana FACES must develop, receive approval of, and implement a cost allocation plan or indirect cost rate. As part of the corrective action, each CIL must submit a separate cost allocation plan or indirect cost rate proposal to the U.S. Department of Education's Indirect Cost Group, at mary.gougisha@ed.gov, within three months of the final report's issuance.

Technical Assistance: RSA will provide a model cost allocation plan upon request.

ECCIL/Indiana FACES Response: Work on the cost allocation plan has begun. The plan provided by RSA seems somewhat over-complicated for an agency such as ours. We are particularly interested in plans of centers of similar staff and revenue size. Therefore we have made contacts to other centers around the country to get samples of their approved cost allocation plans. We are designing our Personnel Activity Reports (PARs) based upon information we received via efforts that were conducted right before RSA's visit in May and have begun the process of reviewing all relevant policies and procedures relevant to allocating cost and determining allowability and reasonableness. We will have the final plan reviewed by the financial consultant whose services will be retained as soon as is possible and submit it to RSA for approval.

RSA Determination: RSA maintains Finding 8 based on the facts presented in the report and acknowledges the centers' willingness to take corrective actions to resolve this finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon confirmation from the centers and the Indirect Cost Group that ECCIL's and Indiana FACES' cost allocation plans have been submitted and approved. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

Finding 9: Property Management and Procurement Standards

Legal Requirement: EDGAR 74.34(f). The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following: (1) Equipment records shall be maintained accurately and shall include the following information: (i) A description of the equipment. (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number. (iii) Source of the equipment, including the award number. (iv) Whether title vests in the recipient or the Federal Government. (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost. (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment furnished by the Federal Government). (vii) Location and condition of the equipment and the date the information was reported. (viii) Unit acquisition cost. (ix) Ultimate disposition data, including date of disposal and sales price or method used to determine current fair market value where a

recipient compensates ED for its share. (2) Equipment owned by the Federal government must be identified to indicate Federal ownership. A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. (4) A control system must be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Secretary. (5) Adequate maintenance procedures must be implemented to keep the equipment in good condition. (6) Where the recipient is authorized or required to sell the equipment, proper sales procedures must be established which provide for competition to the extent practicable and result in the highest possible return.

EDGAR 74.44(a). All recipients shall establish written procurement procedures that comply with sections 74.40 – 74.48.

EDGAR 74.40. Sections 74.41 through 74.48 contain standards for use by recipients in establishing procedures for the procurement of supplies and other expendable property, equipment, real property, and other services with Federal funds. These standards are designed to ensure that these materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

Facts and Analysis: ECCIL and Indiana FACES' property management standards do not meet federal requirements. The centers do not have policies or procedures related to property and equipment inventory control, maintenance, insurance coverage, disposal, and investigation and reporting of theft or damage. Also, ECCIL and Indiana FACES do not maintain adequate records of property purchased with grant funds. For example, the centers provided a list of property, maintained manually, that was not dated and did not include the elements required by EDGAR 74.34(f). Also, the list did not include an automobile that had been purchased with federal funds, nor its funding source or purchase date. ECCIL and Indiana FACES do not have a designated official who is authorized to make any adjustments to the inventory account.

In addition, ECCIL and Indiana FACES do not have procurement standards that meet the requirements of 34 CFR 74.40 through 74.48. ECCIL and Indiana FACES do not have a written purchasing policy that gives adequate consideration to costs, quality, delivery, competitive bidding, inspection and acceptance. Furthermore, the centers' written financial policies do not provide for the separation of duties in the purchasing and payment functions, nor require more than one signature for any checks. In addition, the centers purchased three vehicles with federal funds from both grants, but did not provide documentation indicating that these purchases were reasonable, allocable or allowable or made consistent with procurement requirements. Also, expenditures for staff travel lacked sufficient documentation or justification.

Finding: ECCIL and Indiana FACES are not in compliance with:

9.1 EDGAR 74.34(f) because their property management standards do not include all of the

components required by the federal regulation.

9.2 EDGAR 74.40 and 74.44(a) because they do not have written procurement procedures that meet the requirements of sections 74.41 – 74.48.

Corrective Action:

ECCIL and Indiana FACES must take corrective action to ensure that they develop and implement:

9.1 a property management system that meets the requirements of EDGAR 74.34(f).

ECCIL/Indiana FACES Response: Although RSA may not deem our property management standards to be sufficient and we are willing to make improvements, it is incorrect to state that they do not exist. We do have a system by which to control inventory, including tagging of all equipment and maintenance of appropriate records. We update our inventory list annually, but acknowledge that we have never maintained records with detailed information as provided herein. Although uncertain as to exactly how we are supposed to guard against loss or damage to property other than encouraging caution and maintaining an insurance policy, we most certainly take extensive steps to ensure against theft, including an office alarm system, having door locks with designated access, maintaining locked file drawers and cabinets, etc. Our policy with respect to disposal of property has admittedly been informal. Very little has been discarded and then only when it was deemed no longer functional. We will revise these policies. Failure to include the automobile was a simple oversight. Until a few years ago the agency did not own vehicles. Inventories are only updated upon written request from the executive director. As far as having a designated official who is authorized to make adjustments to the inventory account, we have an extremely small staff and do not understand who other than the executive director should be authorized to direct that the inventory account be updated. We are willing to make changes and improvements, and would appreciate RSA's provision of an acceptable format. A more extensive property management system will be developed, utilizing support and guidance from ILRU, the financial consultant, our accountant and any other technical resources which RSA can provide or to which we can be referred. We would appreciate provision of policies and procedures which RSA has deemed satisfactory.

RSA Determination: RSA duly notes the informal property management practices described in the centers' response. However, absent written policies and procedures, RSA maintains Finding 9.1 based on the facts presented in the report. RSA acknowledges the centers' willingness to take corrective actions to resolve the finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report's issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required property management policies and procedures and its verification that such policies and procedures are being implemented consistent with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

9.2 written procurement procedures that meet the requirements of EDGAR 74.40 - 74.48.

ECCIL/Indiana FACES Response: We strongly disagree with much of RSA's assessment as to our purchase policies and procedures. It is our position that all expenditures for staff travel contained extensive documentation and justification. We have policies which dictate that only the executive director can approve any purchases and that no purchases over \$1,500 not included in the operating budget can be made without specific pre-approval by the board of directors subsequent to review of information supporting such request. Everybody Counts owns a 2005 car which was purchased subsequent to approval by a board of directors who had extensive discussion as to the potential benefit and overall savings and after having talked with other centers who had made similar purchases with federal funds. We also own a used lift-equipped van which was donated, and another used lift-equipped van which the board recommended be purchased in lieu of replacing the car, which has nearly 100,000 miles.

A more extensive procurement procedure will be developed, utilizing support and guidance from ILRU, the financial consultant, our accountant and any other technical resources which RSA can provide or to which we can be referred. It will be completed within 6 months of receipt of the financial corrective action plan. Since it is not uncommon to have minimal separation of duties with respect to purchasing and payment given the size of our staff, we would appreciate receipt of policies and procedures for other centers with similar staffing levels which RSA has approved.

RSA Determination: RSA duly notes the informal procurement practices described in the centers' response. However, ECCIL and FACES must develop and implement written policies and procedures that ensure adequate controls for tracking and monitoring property. Absent such policies and procedures, RSA maintains Finding 9.2 based on the facts presented in the report. RSA acknowledges the centers' willingness to take corrective actions to resolve the finding. The corrective action plan must provide the steps and timelines to ensure completion within six months of the final report issuance and specify the technical assistance requested. RSA will consider the corrective action to be completed upon its review and approval of the required procurement policies and procedures and its verification that such policies and procedures are being implemented consistent with federal requirements. RSA will arrange to provide technical assistance in the development and implementation of the proposed plan through ILRU as appropriate, including a financial consultant.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

REHABILITATION SERVICES ADMINISTRATION

Washington, D.C. 20202-2800

Center for Independent Living (CIL)

On-Site Review Guide (ORG)

Name of Grantee: Everybody Counts and Indiana FACES

Grant #: H132A930542, H132A980813

State: Indiana

Rehabilitation Act of 1973, as amended

Title VII, Chapter I, Sections 706 and 722 – CIL Program

Part I

STANDARDS, INDICATORS AND ASSURANCES FOR CILS

The following questions are based on the CIL standards, indicators and assurances as required in Title VII of the act and the corresponding regulations. Unless otherwise noted, a “no” response indicates that the CIL did not demonstrate minimum compliance with the corresponding standard, indicator or assurance. A “no” response will be the basis for a corresponding finding in the report. The term *recommended practice* at the end of a question denotes a practice that, although not explicitly required by federal law or regulations, would, if followed, further the consumer-oriented purpose of the independent living (IL) program.

I. Grantee is an Eligible Agency

Section 725(c)(1) of the act; 34 CFR 364.4(b)

The CIL meets the definition of eligible agency as defined in the statute and regulations.	No*
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* See Finding 1, regarding the provision of IL services on a cross-disability basis.

Verification Source: 704 Report data, consumer service records.

II. Standards and Indicators

Section 725(b) and (c)(3) of the act; 34 CFR Part 366, Subpart G; 704 Report, Part II

The purpose of this subpart is to measure the extent to which the CIL is in compliance with the standards in Section 725(b) of the act. This subpart will also test compliance with many of the assurances in Section 725(c) of the act.

COMPLIANCE INDICATOR I – PHILOSOPHY

Section 725(b)(1) of the act; 34 CFR 366.63(a)

The indicator for this standard is composed of four parts.

Consumer Control

Sections 702(2), 725(b)(1)(A) and 725(c)(2) of the act; 34 CFR 366.63(a)(1)

(a) Governing Board

Sections 725(b)(1)(A) and 725(c)(2) of the act; 34 CFR 366.50(b) and 366.63(a)(1)(i)(A)

(1) Verification of Consumer Control

(i) Number of persons on the governing board.	6
(ii) Number of governing board members with significant disabilities.	6
(iii) Is line (ii) over 50 percent of line (i)?	Yes

(iv) Number of different disabilities groups (physical, mental, cognitive, sensory, multiple) represented by members of the governing board.	3
(v) Number of members from minority groups on the governing board.	2
(vi) The CIL has a process for nominating and electing board members. <i>(Recommended practice)</i>	Yes
(vii) The nominating and/or election process for board members provides for participation by consumers of CIL services. <i>(Recommended practice)</i>	Yes

(2) Verification that the CIL Board is the Principal Decision-Making Body

(i) The bylaws or other documents of practices of the CIL ensure that policy decisions are vested with the governing body.	Yes
(ii) The CIL has policies and procedures for board members that specify roles and responsibilities.	Yes
(iii) The governing board is the principal governing body of the CIL.	Yes

Verification Sources for Governing Board: 2011 board member roster, observation.

(b) CIL Employees

Sections 725(b)(1)(A) and 725(c)(6) of the act; 34 CFR 366.63(a)(1)(i)(B)

CIL Employees	Total Persons*	Persons with Disabilities*	# of Minority ¹ Employees*
Decision-making positions	ECCIL: 1.5 FACES: 1	ECCIL: 1.5 FACES: 1	ECCIL: 1.5 FACES: .5
Staffing positions	ECCIL: 3 FACES: 2	ECCIL: 2 FACES: 2	ECCIL: 2.5 FACES: 1

* Based on information provided in the FY 2010 704 Report. However, this information could not be verified on-site because ECCIL and Indiana FACES' personnel allocation practices do not make adequate distinctions between the two CILs.

Over 50 percent of the CIL's employees in decision-making positions are filled by individuals with disabilities.	Yes
Over 50 percent of staff positions are filled by individuals with disabilities.	Yes

Verification Sources for CIL Employees: 704 Report, staff roster.

Self-help and Self-advocacy

Section 725(b)(1)(B) of the act; 34 CFR 366.63(a)(2)

¹ In this instance, "minority" refers to members of racial or ethnic groups that have been traditionally underrepresented.

The CIL promotes self-help and self-advocacy among individuals with significant disabilities (e.g., by conducting activities to train individuals with significant disabilities in self-advocacy).	Yes
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Verification Sources for Self-help and Self-advocacy: Interviews with staff and review of documents.

Development of Peer Relationships and Peer Role Models

Section 725(b)(1)(C) of the act; 34 CFR 366.63(a)(3)

The CIL promotes the development of peer relationships and peer role models among individuals with significant disabilities.	Yes
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Verification Sources for Development of Peer Relationships and Peer Role Models: Interviews with staff and review of documents.

Equal Access

Section 725(b)(1)(D) of the act; 34 CFR 364.23(b) and 366.63(a)(4)

(a) Ensures equal access of individuals with significant disabilities, including communication and physical access, to the CIL's services, programs, activities, resources and facilities, whether publicly or privately funded. <i>Equal access, for purpose of this question, means that the same access is provided to any individual with a significant disability regardless of the individual's type of disability.</i>	Yes
(b) Advocates for and conducts activities that promote the equal access to all services, programs, activities, resources and facilities in society, whether public or private, and regardless of funding source, for individuals with significant disabilities. <i>Equal access, for the purposes of this question, means that the same access provided to individuals without disabilities is provided in the center's service area to individuals with significant disabilities.</i>	Yes
(c) To the maximum extent feasible, makes available personnel able to communicate with individuals with significant disabilities who rely on alternative modes of communication (e.g., manual communication, nonverbal communication, braille or audiotapes, etc.) and who apply for or receive IL services.	Yes
(d) To the maximum extent feasible, makes available personnel able to communicate in the native languages of individuals with significant disabilities whose English proficiency is limited and who apply for or receive IL services.	Yes
(e) Makes available in alternate formats, as appropriate, all of its written policies, materials and IL services (e.g., braille, large print, audio tape).	Yes
(f) The CIL is physically accessible for individuals with significant disabilities, for example, individuals with mobility disabilities (e.g., signage, doors, bathrooms, parking lots) or individuals with Environmental Illness (EI) and Multiple Chemical Sensitivity (MCS) (e.g., a no fragrance policy or use of	Yes

“green” cleaners).			
(g) The CIL ensures communication access for individuals with significant disabilities by using, for example, TDDs/TTYs for individuals with hearing disabilities or picture boards and/or other means of communication for individuals with cognitive disabilities.			Yes
<u>Types of reasonable accommodation</u>	<u>Full-time</u>	<u>Part-time</u>	<u>Upon Request Only</u>
Interpreters are available at the CIL.		x	
Readers are available at the CIL.			x
Personal attendants are available at the CIL.			x

Verification Sources for Equal Access: Interviews with staff and review of documents.

COMPLIANCE INDICATOR 2 – PROVISION OF SERVICES ON A CROSS-DISABILITY BASIS

Section 725(b)(2) of the act; 34 CFR 366.63(b)

(a) Provides IL services to eligible individuals or groups of individuals without restrictions based on the particular type or types of significant disability of an individual or groups of individuals, unless the restricted IL service (other than the IL core services) is unique to the significant disability of the individuals to be served, e.g., braille instruction for persons who are blind.	No*
(b) Provides IL core services to individuals with significant disabilities in a manner that is neither targeted nor limited to a particular type of significant disability.	No*
(c) Provides IL services to individuals with a diversity of significant disabilities and individuals who are members of populations that are unserved or underserved by programs under Title VII of the act.	No*

*See Finding 1, regarding ECCIL and Indiana FACES’ disposition of deaf and hearing-impaired consumers.

Verification Sources for Provision of Services on a Cross-Disability Basis: 704 Report data, consumer service records.

COMPLIANCE INDICATOR 3 – INDEPENDENT LIVING GOALS

Section 725(b)(3) of the act; 34 CFR 366.63(c)

(a) The CIL maintains a consumer service record (CSR) for each consumer.	Yes
(b) The CSRs contain:	
(1) Documentation showing that the individuals are eligible or ineligible for services (only those eligible are served).	Yes
(2) Written Independent Living Plans (ILPs) or written waivers from the consumers stating that ILPs are unnecessary.	Yes

(3) Information on the services requested by, and the services provided to, or arranged for, the consumers.	Yes
(4) The IL goals or objectives established with the consumers, whether or not in the ILPs.	ECCIL: No FACES: Yes
(5) The goals or objectives the consumers believe they have achieved.	ECCIL: No FACES: Yes

(c) The CIL maintains documentation on:

(1) CIL notification to consumers of their right to develop, or waive the development, of an ILP.	Yes
(2) CIL notification of the existence of, the availability of, and how to contact the client assistance program.	Yes
(3) The number of ILPs developed by consumers receiving services from the CIL.	Yes
(4) The number of waivers signed by consumers receiving services from the CIL stating that an ILP is unnecessary.	Yes
(5) The CIL's facilitation of the development and achievement of IL goals selected by individuals with significant disabilities who request assistance from the CIL.	Yes*
(6) The CIL's provision of opportunities for consumers to express satisfaction or dissatisfaction with the CIL's services and policies and documentation the CIL sends any results to its governing board and the appropriate SILC.	Yes

(d) The CIL has written CSR management policies and procedures. (Recommended practice)	Yes
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*This requirement is only minimally meet. See Observation 1.

Verification Sources for Independent Living Goals: Review of CSRs.

COMPLIANCE INDICATOR 4 – COMMUNITY OPTIONS AND COMMUNITY CAPACITY Section 725(b)(4), (6), and (c)(10) of the act; 34 CFR 366.63(d)

To promote the increased availability and improved quality of community-based programs that serve individuals with significant disabilities and promoted the removal of any existing architectural, attitudinal, communication, environmental or other types of barriers that prevent the full integration of these individuals into society, the CIL performed at least one activity in each of the following categories during the reporting year:

(a) Community advocacy.	Yes
(b) Technical assistance to the community on making services, programs, activities, resources and facilities in society accessible to individuals with significant disabilities.	Yes
(c) Public information and education.	Yes
(d) Aggressive outreach to populations of individuals with significant disabilities that are unserved or underserved by programs under Title VII of the act in the	Yes

CIL's service area.	
(e) Collaboration with service providers, other agencies, and organizations that could assist in improving opportunities for individuals with significant disabilities to avail themselves of the services, programs, activities, resources and facilities in the CIL's service area.	Yes
(f) Did the CIL's outreach to unserved or underserved populations include minority groups and urban and rural populations?	Yes

Verification Sources for Community Options and Community Capacity: Review of files and records.

COMPLIANCE INDICATOR 5 – IL CORE SERVICES AND OTHER IL SERVICES Section 725(b)(5) of the act; 34 CFR 366.63(e)

The CIL –

(a) Provides information and referral services to all individuals who request this type of assistance from the CIL in accessible formats.	Yes
(b) As appropriate, in response to requests from individuals with significant disabilities who are eligible for IL services, the CIL provides the following services:	
(1) Independent living skills training.	Yes
(2) Peer counseling (including cross-disability peer counseling).	Yes
(3) Individual and systems advocacy.	Yes
(4) A combination, as appropriate, of any two or more of the IL services defined in Section 7(18)(B) of the act.	Yes

Verification Sources for IL Core Services and Other IL Services: Interviews with staff and review of documents.

COMPLIANCE INDICATOR 6 – RESOURCE DEVELOPMENT ACTIVITIES Section 725(b)(7) of the act; 34 CFR 366.63(e)

The CIL during the reporting year conducted resource development activities to obtain funding from sources other than Chapter 1, Title VII, of the act.	Yes
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Verification Sources for Resource Development Activities: Interviews with staff and review of documents.

III. Program and Financial Planning Objectives Section 725(c)(4) of the act; 34 CFR 366.50(d)

(a) The CIL has established annual and three-year program and financial planning objectives. (Lacks three-year planning objectives.)	No
(b) The objectives include the CIL's goals and mission.	No
(c) The CIL has a current work plan for achieving the goals or mission and has	

included specific activities to meet the requirements in the indicators.	Yes
(d) The work plan includes objectives and goals for obtaining and increasing funding from sources other than those in Title VII of the act. (<i>Recommended practice</i>)	No
(e) The work plan includes specific services, priorities and types of services to be provided.	Yes
(f) The objectives and work plan are consistent with the current SPIL.	Yes
(g) The work plan includes plans for training governing board members, employees, volunteers and consumers. (<i>Recommended practice</i>)	No

Verification Sources for Program and Financial Planning Objectives: Interviews with staff and review of documents.

IV. Numbers and Types of Individuals with Significant Disabilities Receiving Services through the CIL

The review of CSRs, data collection and recording practices of the CIL demonstrate that the data reported by the CIL in the 704 Report Part II are statistically accurate.	No
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Verification Sources for Resource Development Activities: Review of CSR's, discussions with staff.

Part II

ORGANIZATION AND ADMINISTRATION OF THE CIL

V. *Organization of CIL*

Section 725(c)(5) of the act; 34 CFR 366.50(e)

(a) The applicant uses sound organizational and personnel assignment practices.	Yes
(b) The CIL has an organizational chart indicating lines of authority and supervision.	Yes
(c) The CIL has job descriptions for all personnel, including volunteers.	Yes
(d) The staff members know what is expected of them and their expectations are consistent with job descriptions.	Yes

Verification Sources for Organization of CIL: Interviews with staff and review of documents.

VI. *Staff Development and Training*

Section 725(c)(11) of the act; 34 CFR 364.23(a), 364.24 and 366.50(l)

(a) The CIL includes personnel who are specialists in the development and provision of IL services and in the development and support of centers.	Yes
(b) The CIL has established and maintains a program of staff development for all classes of positions involved in providing IL services and, where appropriate, in administering the CIL program.	Yes
(c) The staff development program is directed at improving the skills of staff directly responsible for the provision of IL services, including knowledge of and practice in the IL philosophy.	Yes
(d) The staff receives training on how to serve unserved and underserved populations, including minority groups and urban and rural populations.	Yes
(e) The CIL has governing board training and development sessions/programs. (<i>Recommended practice</i>)	Yes

Verification Sources for Staff Development and Training: Interviews with staff and review of documents.

VII. *Personnel Policies*

Section 725(c)(5) of the act; 34 CFR 366.50(e); OMB Circular A-122

(a) There are personnel policies covering:

(1) Vacation and sick leave	Yes
(2) Working hours	Yes
(3) Activity reports (time sheets)	Yes
(4) Fringe benefits	Yes
(5) Wage and salary administration	Yes

(6) Performance appraisals	Yes
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Verification Sources for Personnel Policies: Interviews with staff and review of documents.

VIII. Conflict of Interest

EDGAR 34 CFR 75.525

(a) The CIL safeguards against employees participating in an administrative decision regarding a project if the decision is likely to benefit that person or a member of his or her immediate family; and the person is a public official or has a family or business relationship with the grantee.	Yes
(b) The CIL safeguards against employees participating in the project to use his or her position for a purpose that is, or gives the appearance of being, motivated by a desire for a private financial gain for that person or for others.	Yes

Verification Sources for Conflict of Interest: Interviews with staff and review of documents.

IX. Confidentiality

34 CFR 364.56(a)

The CIL has clear policies and procedures to ensure that all personal information about consumers served by the CIL, such as names, addresses, photographs and other records, are held confidential, including:

(a) Maintenance of records and files.	Yes
(b) Conditions for releasing consumer data, including the use of release of personal information forms.	Yes
(c) Meeting space that ensures that consumers' confidential personal information is protected when meeting with CIL staff.	Yes
(d) Publicity releases that include consumers' personal information.	Yes

Verification Sources for Confidentiality: Interviews with staff and review of documents.

X. Affirmative Action

Sections 704(m)(2) and 725(c)(5) of the act; 34 CFR 364.31

The CIL takes affirmative action to employ and advance in employment qualified individuals with significant disabilities.	Yes
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Verification Sources for Affirmative Action: Interviews with staff and review of documents.

XI. Drug-Free Workplace

EDGAR 34 CFR 84.200 – 84.230

(a) The CIL conforms to the requirements of a drug-free workplace.	Yes
(b) A statement is published notifying employees that the unlawful manufacture,	

distribution, dispensing, possession or use of controlled substances is prohibited at the CIL and specifying the action that will be taken against employees for violating the prohibition.	Yes
(c) The CIL has established an ongoing drug-free awareness program.	Yes
(d) Each grant-funded employee has been given a copy of the prohibition statement, including a notification that conditions of employment at the CIL require abiding by the statement and informing the director of the CIL of any convictions under a drug statute.	Yes
(e) The CIL has taken appropriate personnel action against employees or has required employees to participate in drug abuse assistance program or rehabilitation program if such employees were convicted under a criminal drug statute conviction.	Yes

Verification Sources for Drug-Free Workplace: Interviews with staff and review of documents.

Insurance Coverage
EDGAR 34 CFR 74.31

The CIL has insurance coverage for real property and equipment acquired with federal funds equivalent to that provided for property owned by the grantee.	Yes
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Verification Sources for Insurance Coverage: Interviews with staff and review of documents.

XII. Nondiscrimination
EDGAR 34 CFR 75.500

The CIL does not deny services to persons on the basis of their race, color, national origin, sex, age or the existence of a disability.	Yes
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Verification Sources for Nondiscrimination: Policies and procedures, other written materials, observations.

Part III

GRANT MANAGEMENT

XIII. Sources and Amounts of Funding (as verified by the review team)

(A) Title VII, Ch. 1, Part B	\$
(B) Title VII, Ch. 1, Part C	\$450,243.44*
(C) Title VII, Ch. 2	\$
(D) Other Federal Funds	\$
(E) State Government Funds	\$
(F) Local Government Funds	\$
(G) Foundations, Corporations, or Trust Grants	\$ 3,532.00*
(H) Donations from Individuals	\$
(I) Membership Fees	\$
(J) Investment Income/Endowment	\$
(K) Fees for Service (program income, etc.)	\$ 1,625.00*
(L) Other Resources (in-kind, fundraising, etc.)	\$

Item 4 - Total Income

Total income = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)+(J)+(K)+(L)	\$456,129.64*
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Item 5 - Pass Through Funds

Amount of other government funds received as pass through funds to consumers (include funds received on behalf of consumers that are subsequently passed on to consumers, e.g., personal assistance services, representative payee funds, or Medicaid funds)	\$ 00.00
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Net Operating Resources

Total Income (Section 4) <minus> amount paid out to consumers (Section 5) = Net Operating Resources	\$456,129.64*
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*Note: All ECCIL and FACES funds are pooled and expenditures are taken from that pool. Expenditures from the pool, except for a few exceptions, are split 50%-50%.

XIV. Grant Related Income

34 CFR 364.6; EDGAR 34 CFR 74.2 and 74.24

(a) Program income is generated using federal funds.	Yes
(b) Such income is used for allowable and approved purposes.	No*

*Note: The centers do not properly track or account for program income to ensure that funds are spent only on allowable, allocable and approved purposes. See Finding 6.

Verification Sources for Grant Related Income: Review of fiscal documentation and interviews with fiscal staff.

XV. Budget

EDGAR 34 CFR 74.21, 75.25, 75.702 and 75.730; OMB Circular A-122, 2 CFR 230

(a) An individual has been designated to have clear responsibility to ensure that grant funds are properly used.	No*
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*No person or entity (including Board) provides adequate oversight to ensure proper expenditure of funds.

Name(s)/Title(s) of designee: N/A

(b) Expenditures are recorded by budget cost category and funding sources.	No
(c) Procedures are followed to assure expenditures are consistent with the approved budget of the CIL.	No
(d) The CIL informs RSA of any budget revisions prior to the expenditure of funds and receives prior approval if required.	No
(e) Time and attendance records are kept on each employee paid with grant funds and such records meet the requirements of OMB Circular A-122.	No
(f) Actual time records are consistent with budgeted time.	No

Verification Sources for Budget: Review of fiscal documentation and interviews with fiscal staff.

XVI. Fiscal Management

EDGAR 34 CFR 74.21, 74.22, 74.52, 75.702, 75.707 and 75.730

(a) Required reports accurately account for the CIL's funds.	No
(b) The CIL has written procedures that minimize the time between the transfer of funds and the disbursement of funds by the recipient.	No
(c) All funding sources are accounted for separately.	No
(d) Accounting records, including cost-accounting records, are supported by source documentation and entries are made on a timely basis.	No

(e) All financial status reports, both of an internal nature and those required by the grant agency, are current and accurate.	No
(f) The financial status report SF-269 reflects program income, cost sharing/matching and indirect cost rates. (SF-269s/SF-425s have not been required)	N/A

Name/Title of person responsible for preparation of the SF-269: N/A

(g) The CIL has a U.S. Department of Education-approved cost allocation plan (CAP).	No
(h) The CIL distributes administrative costs among its various funding sources in an equitable manner as described in the CIL's approved CAP.	No

Verification Sources for Fiscal Management: Review of fiscal documents and interviews with management staff.

XVII. Accounting Systems

EDGAR 34 CFR 74.21

(a) The organization maintains a formal accounting system.	Yes
(b) The accounting system is computerized.	Yes

If the system is computerized, identify the accounting program software used: Quick Books

(c) The elements of the formal accounting system are:

(1) General Ledger	Yes
(2) Grant Ledger	Yes
(3) General Journal	Yes
(4) Cash Receipts	Yes

(d) The formal accounting system is maintained by:

(1) Cash basis	Yes
(2) Accrual basis	No

(3) Describe other(s):

Verification Sources for Accounting Systems: If Quick Books is used properly, with backup sources documents, a viable system can exist, but the system is used just as a data entry system and not one that provides checks and balances or audit trails. The previous certified public accountant (CPA) was found to not have kept track of their accounting records and the current CPA only is completing IRS Form 990s for ECCIL and Indiana FACES, and cannot vouch for the information provided by centers.

XVIII. Travel Policies

EDGAR 34 CFR 74.27; OMB Circular A-122, 2 CFR 230, Attachment B, Item 51(b)

(a) The CIL has clearly defined staff and board travel policies.	No
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(b) Policies for travel expense reimbursement using federal funds are in accordance with state and federal requirements.	No
(c) The policy provides for reimbursement by: (1) Actual expenses (2) Per diem	Insufficient information available.
(d) All trips charged to the CIL are justified and documented by travel requests, time sheets, receipts, etc.	No

Verification Sources for Travel Policies: Review of fiscal documentation and interviews with fiscal staff.

XIX. Purchasing

EDGAR 34 CFR 74.21, 74.40 - 74.48

(a) The CIL has a written purchasing policy.	No
(b) The policy complies with EDGAR 34 CFR 74.40 - 74.48.	No
(c) The purchasing policies and procedures give adequate consideration to costs, quality, delivery, competitive bidding, inspection and acceptance.	No
(d) The receipt of goods/services is documented to support payment for them.	No
(e) There is separation of responsibility for the authorization for purchasing and the subsequent payment.	No
(f) When using Part C grant funds to purchase equipment, the CIL has procedures to ensure that such use is allowable and that the item is in the approved budget.	No
(g) Requisitions, purchase orders and receiving slips are prenumbered and safeguarded.	No
(h) Payments are made only if disbursements or checks are countersigned.	No
(i) Payment vouchers are identified as to funding sources, expense classification and transaction date.	Yes*

*Note: Although annotated to which grant, expenses are split 50%-50% without support for the split disbursement.

The executive staff/board approval is needed for items over: Not Known by Staff or Board.
The person(s) responsible for purchasing equipment and supplies: The Director, Assistant Director and IT staff person have debit cards for purchases.

Verification Sources for Purchasing: Receipts.

XX. Property

EDGAR 34 CFR 74.34(f) and (g), 74.44(a)

(a) The CIL maintains current and complete records of all property purchased with grant funds.	No
(b) The CIL has a system for controlling inventory (general ledger control account, card reports, property labels).	No

(c) Maintenance of property and equipment records are kept.	No
(d) Records contain: description of each piece of equipment; purchase date/cost; manufacturer's serial number, model number, federal stock number, national stock number, or other ID number; source of equipment award number; where title vests; information from which federal participation can be calculated; location and condition of the equipment, date information was reported; and ultimate disposition. Note: Only a simple list of equipment is maintained	No
(e) The CIL inventories property at least once every two years.	No

Date of last inventory: Unknown.

(f) Adjustments to inventory accounts are made only on written authority of a designated official.	No
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Name/Title of designee: Executive Director.

(g) The CIL guards against loss, damage or theft of property.	No
(h) The CIL has policies, procedures and controls for purchasing and disposing of property.	No

Verification Sources for Property: Review of fiscal documentation and interviews with fiscal staff.

XXI. Records Retention

34 CFR 364.53; EDGAR 34 CFR 74.53(b)

Fiscal and consumer records are maintained and retained in accord with federal requirements.	Yes *
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*Note: Records are retained for the federally required length of time, but are not maintained in accordance with fiscal or programmatic requirements.

Verification Sources for Records Retention: Review of fiscal documentation and staff interviews.

XXII. Audit

EDGAR 34 CFR 74.26

(a) The CIL expended \$500,000 or more in federal awards.	No
(b) If the CIL answers "Yes" to question (a) an annual nonfederal audit has been conducted and includes the federal funds received under Chapter 1 of Title VII of the act.	N/A
(c) A copy of the audit has been submitted to the Federal Audit Clearinghouse as stated in Attachment C of the GAN, if required.	N/A
(d) If total awards expended are less than \$500,000, no grant funds were used for a nonfederal audit.	N/A